Prior Board of Governors Meeting Minutes

☒ **ACTION ITEM**

☐ **New Contract**

☐ **Contract Amendment**

☒ **Other – Board Meeting Minutes**

☐ **CONSENT ITEM**

☐ **Contract Amendment**

☐ **Existing Contract Extension**

☐ **Existing Contract Additional Spend**

☐ **Previous Board Approval______________**

☐ **Other________________________________**

Action Items: Items requiring detailed explanation to the Board. When a requested action item is a day to day operational item and/or unanimously passed through committee it may be moved forward to the board on the Consent Index.

☐ **Move forward as Consent**: This Action item is a day-to-day operational item, unanimously passed through committee and qualifies to be moved forward on the Consent Index.

Consent Items: Items not requiring detailed explanation to the Board of Governors. Consent items are contract extensions, amendments or additional spending authorities for items previously approved by the Board.

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Item Description	**Board of Governors Meeting Minutes, July 10, 2024.**
Purpose/Scope	Review of the July 10, 2024, Board of Governors Meeting Minutes to provide opportunity for corrections and historical accuracy.
Contract ID	**N/A**
Budgeted Item	☐Yes ☐No N/A
Procurement Method	N/A
Contract Amount	N/A
Contract Terms	N/A
Board Recommendation	Staff recommends the Board of Governors review and approve the July 10, 2024, Board of Governors Meeting minutes.
CONTACTS	Tim Cerio, President/CEO and Executive Director Barbara Walker, Senior Executive Assistant and Board Secretary

CITIZENS PROPERTY INSURANCE CORPORATION

MINUTES OF THE
BOARD OF GOVERNORS MEETING
Wednesday, July 10, 2024

The Board of Governors (Board) of Citizens Property Insurance Corporation (Citizens) convened The Westin Lake Mary, Orlando North in Lake Mary, FL on Wednesday, July 10, 2024 at 8:30 a.m. (EDT).

The following members of the Board were present:

Carlos Beruff, Chair
Scott Thomas, Vice Chair
Josh Becksmith
Jason Butts
LeAnna Cumber
Erin Knight (telephonically)
Charlie Lydecker
Jamie Shelton
Robert Spottswood

The following Citizens staff members were present:

Tim Cerio
Jennifer Montero
Aditya Gavvala
Jay Adams
Joe Martins
Brian Newman
Barbara Walker
Bonnie Gilliland
Christine Turner
Raina Harrison
Brian Donovan
Andrew Woodward
Stephen Mostella
Sudheer Kondabrolu
Carl Rockman
Sasha Stiponovich
Mike Sills
Denise Bass
Ray Norris

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Eric Addison
John Schmidt
Michael Peltier
Adam Marmelstein

The following people were present:

Kapil Bhatia	Raymond James
Dave Newell	FAIA
Danny Kriss	Gen Re
John Generalli	Wells Fargo
Jim Cook	JP Morgan
Nathaniel Johnson	Bank of America

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Call Meeting to Order

Barbara Walker: Good morning, and welcome to Citizens July 10, 2024, Board of Governors Meeting that is publicly noticed in the *Florida Administrative Register* to convene at 8:30 am and is recorded with transcribed minutes available on our website. For those attending today's webinar through the public link, you're automatically in listen only mode. Chair Beruff we have no speaker requests for today's meeting.

Chair Charles Beruff, Vice Chair Scott Thomas, Governor Josh Becksmith, Governor Jason Butts, Governor LeAnna Cumber, Governor Erin Knight, Governor Charlie Lydecker, Governor Jamie Shelton, and Governor Robert Spottswood were present. A quorum was established.

1. Chairman's Report

Chair Beruff: Thank you. We're going to start with the Chairman's Report. I don't have anything to report other than the committee meetings, which we'll go through in the next half hour or so. I'd like to move actions to consent.

Consent Agenda

Chair Beruff: Are there any action items at the bottom that anyone wants to pull off the Consent Agenda for discussion? Barbara, am I missing something that needs to be put on the Consent Agenda?

Barbara Walker: Chairman, you wanted to leave in Section 5 – the HR and Facilities items (Tampa; Life, AD&D; and the Retirement Plan) since they did not go through committee. You also asked me to pull the Template Management System and move that item to September.

Chair Beruff: Those are the modifications?

Barbara Walker: Yes.

Chair Beruff: Action Items and the Consent Agenda?

Barbara Walker: Yes. Would you like me to read those Action Items and Consent items after the Board approves them?

Chair Beruff: The Board looks for a motion to approve.

A motion was made and seconded to approve the following Action Items/Consent Agenda:

- **A. Board Meeting Minutes: April 10, May 14 & June 19, 2024**
- **B. Product Updates July 2024**
- **C. Mobile Home Demolition Services**

The Board will discuss the following three items because they did not go through committee:

- **D. Tampa Office Lease Procurement**
- **E. Life, AD&D and FMLA**
- **F. Retirement Plan Changes**

Additionally, the Board will address Business Process Outsourcing, Roof and Property Reporting Services, Depopulation Plan Amendments, and the recommendation for Board approval of increases required by Section 627.351 of the Florida Statutes. All were in favor of the motion. Motion carries.

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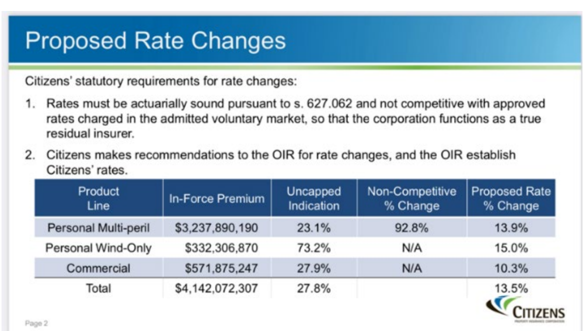
Chair Beruff: Thank you. We got through that pretty quickly. The meeting minutes were also included in that motion?

Barbara Walker: Yes, Chairman, they were included as requested.

2. President's Report



Chair Beruff: Mr. Cerio, you're up next.

Proposed Rate Changes

Tim Cerio: Thank you, Mr. Chairman. Good morning, members of the Board. Today, I'd like to discuss a few different topics: our upcoming rate filing, our position on reinsurance, the status of our depopulation, our forecasted policy counts and exposure, and our preparations for the hurricane season. As you all know, we've begun to file our 2025 rate requests with the Office of

Insurance Regulation (OIR), which were approved by the Board at the last meeting. Our staff is in regular contact with the OIR about the logistics of these filings, and we should have the last of the items completed and filed by the end of this week. Our overall rate request seeks an average increase of 13.5%. For the Personal Multi-Peril policies, the uncapped indication is 23.1%. This means that on average statewide, that's the increase we would need for us to be actuarially sound. The non-competitive indication is 92.8%, which is what would be required statewide for us to be non-competitive. We've been trying to provide meaningful data to the Office of Insurance Regulation about what it means to be non-competitive. We went through public procurement to procure a service that enables us to gather this data and present it in a better fashion. Under this scenario, the 92.8% figure, which our Chief Actuary Brian Donovan has worked with, essentially puts us in the top 25% price bracket. This isn't even the most expensive. I wanted to make you all aware of this. When we had a more statutory formula for what it meant to be non-competitive, back until the early to mid-2000s, we weren't the most expensive. We were either tied with number one, or we were slightly more expensive than number one. This indication just gets us to the top 25%. The industry's rates remain significantly higher than ours. The proposed rate change is capped at the 14% glide path, which is why we get to an average of 13.9%. For the Personal Lines Wind-Only, there isn't adequate competition out there, so a competitive analysis isn't available. The uncapped indication for this business is 73.2%, while the cap is 15%. The proposed rate change is 15%. The reason this is higher than the 14% glide path is due to the amount of non-primary homes that are not subject to the cap in this business line. That's why the average is a little bit higher. The Commercial Lines don't have a competitive analysis. The Commercial Non-Residual rates are for the most part actuarially sound, while the Commercial Residential Business still has a way to go. So, the proposed rate change works out to 10.3% for Commercial, and that's where we get to the average rate change. The proposed rate change of 13.5% is….

Chair Beruff: Mr. Cerio?

Tim Cerio: Yes, sir?

Chair Beruff: I asked you to prepare some charts for us. I suspect you don't have those charts?

Tim Cerio: I have a chart.

Chair Beruff: I'm sorry?

Tim Cerio: I have a chart. There are some charts showing where we diverge from the industry.

Chair Beruff: Is there any way we can get those thrown on the screen?

Tim Cerio: Yes.

Chair Beruff: I didn't know if that was part of your presentation now.

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Tim Cerio: Mr. Chairman, I'll just fall flat on my face if I get out of my rhythm here, but we can jump . . .

Chair Beruff: . . . do that.

Tim Cerio: Alright.

Charlie Lydecker: Question.

Chair Beruff: Of course.

Charlie Lydecker: Tim, I know I may have rushed through the beginning of your presentation, and I apologize for that. However, I think some of the points you made might not have been fully appreciated. So, I would ask that you revisit a few topics, particularly the largest element of the enforced premium number associated with the Personal Multi-Peril policies. You mentioned the Personal Wind-Only policies and explained why the rate was 15%. Could you please re-describe those first two items? Why 15%? What impact does the secondary home market have? And remind a broader audience about where Citizens stands on that and why. Also, could you take a step back and discuss the glide path, the proposed rate change, and specifically where Citizens is positioned in the competitive marketplace? Please keep in mind that we are intended to be a market of last resort as a state body.

Tim Cerio: Governor Lydecker, I will address that now. I have about 10 minutes on that topic. I think it's a very important point that we want to stress. It's crucial that not just our Citizens policyholders, but also our listeners, understand why we're doing what we're doing. Nobody is thrilled to propose a rate increase. We believe that the law and the market necessitate our request. Of course, the ultimate decision lies with the Office of Insurance Regulation. When we talk about the Personal Multi-Peril, the non-competitive aspect, we're required to be actuarially sound and non-competitive. If we were just actuarially sound as a company, due to some inherent advantages we have as a government-created entity, we would still be highly competitive. We are tax-exempt, we don't have to buy as much reinsurance as the private market, and we have government-instilled advantages over the private market. That's why we are also required to be non-competitive. Most insurers of last resort, if not all of them around the country, are non-competitive, or in other words, slightly more expensive than the private market. The idea is that if you have nowhere else to go, we're the insurer of last resort. You're going to pay a slightly higher price, but in return, you have the certainty and comfort of knowing your claims are going to be paid because of our assessment authority. A lot of times, the term is used that we're backed by the state of Florida. I want to be very careful because that's not technically accurate. Backing almost means like there's general revenue that must be deployed, but that's not true. What we do have is statutory authority and a mandate to levy assessments if we can't pay claims. That is the assurance that Citizens' policyholders have. That's why, at the end, I'm going to talk a little bit about this. It's a fair deal for our policyholders. We

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want to provide good service to them while we have them. But hopefully, as the market recovers, many except those that a smaller number of policies that the private market will never be interested in, really, because of the characteristics of the property and their location, will eventually move back into the private market. They'll have better policies, more comprehensive coverage. Citizens provides a good policy, but it's your basic policy; it's not a Cadillac policy. That's the goal. For Wind-Only policies, we don't have a lot of non-competitive data. But the uncapped indication is so high. We believe that, and Brian can come up and explain it in more detail if you'd like. But that's why it justifies the average proposed rate change of 15%. The reason that it's 15% and above the 14% glide path is because you have so much business in that line of business that is exempt from the glide path because it's not a primary home. Non-primary homes are on it, they still have a bit of a glide path, but it's up to 50% of what it would take to become actuarially sound. It's a little more complicated than that, but it's outside the glide path. If you like, I can have Brian come up. But I am going to get to your topics further in my presentation.

Charlie Lydecker: I'll wait, but I think you did a nice job of summarizing and giving a macro view of why this is so significant. It's also about the balance between so many moving parts and trying to create a competitive market and landscape in the state of Florida so we can begin the process of trying to reduce rates in the future."

Tim Cerio: Thank you, Governor. We have an obligation to be here for the people of Florida when they have nowhere else to go when the market tanks due to business cycles. If we need to expand and grow, that's fine. That's our job to be there. But I think by having rates that are artificially low, it hampers us as the business cycle returns to a normal course and the market recovers. It hampers our ability to shrink back down. We should be a bit of an accordion. We need to be there for the people of Florida when they have nowhere else to go. But we shouldn't hamper a return to these policies to the private market, who otherwise would be in the private market if it were healthier. We shouldn't hamper that return by having artificially low rates. So again, more on that in a moment.

Robert Spottswood: So, in your second category, the Personal Wind-Only, as I understood, it includes second homeowners. My understanding is that it's an average of 15%. But 15% on that chart doesn't tell the whole story, because a lot of those second homeowners are going to see increases much larger than 15%. Is that correct?

Tim Cerio: Brian, can you come up for a moment? Because, Governor, that can be correct. Yes. Because what it is, it's 50%. It's a bit of a complicated formula, but it's up to 50% of what it would take to be actuarially sound. Let me just turn it over to our Chief Actuary.

Robert Spottswood: So, specifically, my understanding is that some second homeowners are going to experience increases as much as 50% or more. So, when you put 15% as the proposed rate change, and then somebody gets an increase of 50% or more, it's startling. So, I think when we present that kind of information, the proposed rate change is 15%, but that's not entirely

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accurate because, from person to person, policyholder to policyholder, they may experience a rate change far in excess of that. Is that correct?

Tim Cerio: I wouldn't argue it's inaccurate, Governor. I would say you're right…that it's not telling the whole story. It's not getting into the granular detail. And I do think it's important, Brian, to talk about the actual statutory language a little.

Chair Beruff: But I think the question from the governor is simply that some people will get much significantly larger increases, and the answer is yes, for secondary homeowners.

Brian Donovan: Every homeowner can get an equal increase up to 50%.

Chair Beruff: We need to be clear, so we're not shying away from the responsibility of clarity. The answer is, though, overall, the Personal Wind-Only will get a 50% increase, we propose a 15% increase, some of the policyholders get as much as a 50% increase.

Tim Cerio: Correct.

Chair Beruff: Okay, so there you have it, it's public now.

Brian Donovan: I would just add that over Citizens' total book, only 6.7% of the policies fall under the non-primary category.

Chair Beruff: As one who's probably not going to be very favored after I make the following comment…. But the fact that we shouldn't be in the insurance business at all, but we are because of necessity, okay, because we have to cover people in the state of Florida who can't get insurance elsewhere. The idea that we're in the secondary home market at all is alien to me. So I don't have a problem with that.

Tim Cerio: It's a very good point, and we do want to be transparent about that. Even though it's just 6.7%, if you're the one getting the bill, it's pretty meaningful."

Chair Beruff: If you're a second homeowner, we shouldn't be subsidizing second homeowners. We need to get more out of that business.

Robert Spottswood: And frankly, I think that's a conversation that we should have. Is this the line we want to carry or not? But the fact of the matter is we are in it. So, let's make sure we understand the information. You look at 15%, you think 15%? Well, it's in line with the rest, but then somebody else gets an increase a whole lot larger than that. And that creates a little bit of controversy. So, it's related to this problem, get the information out.

Tim Cerio: It's a great point, Governor, because again, if 6.7% of the policies are making that average in wind only go up 1%, that's significant.

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Robert Spottswood: I believe the conversation brings up is I agree with the Chairman, I don't think we should be in that line of business. But is there something we can do to create a private market for it? What can we do to provide another alternative for those second homeowners? Because like it or not, there are a lot of second homeowners in the state of Florida. And what are they going to do?

Charlie Lydecker: But the answer is become non-competitive. And be actuarially sound on behalf of Citizens in the meantime. And I think that's your point. How do we …. we are more concerned with primary homeowners in the state of Florida than we are with secondary homeowners. But we are a market of last resort. So, if we don't handle it, who's going to handle it, you know? But we can at least make it non-competitive.

Chair Beruff: I advocate for people taking care of their own problems. If you got a second home, you could figure it out. I would. I would like to throw in also…. what you need to throw in the non-residential commercial… we don't need to be insuring that either.

Tim Cerio: There's a good discussion that this Board could have about, at one level, certain things would require a statutory change halfway through and I'm sure we could certainly work with our appointing authorities and make some proposals to the legislature but in the meantime, to Governor Lydecker's point, yes, it's becoming more non-competitive. Not, I hesitate to use the word subsidized, but it's not inaccurate, it is an indirect benefit; may not be a cash payment, but it's an artificially indirect lowering of a premium. And so, the more non-competitive we could be, the more it will foster that private market.

Chair Beruff: Well, I think we should put it on the September Board meeting to discuss what policies we should focus on. How do we start? Obviously, we have to meet our statutory requirements because we will do that, for sure. But to the extent that we can get away from policies that aren't required to be statutorily our responsibility, we should consider that and bring it up for discussion in the September meeting.

Tim Cerio: Well, and Chairman, I don't want to get ahead of you or the Board. But you know, there are ideas we could have in a week (and we would be publicly noticed) but a workshop, some type of Board workshop or retreat or something that's publicly noticed, but where it could be more of a free form discussion.

Chair Beruff: As we discussed if the if the Board desires to have that meeting and the other Board members can attend, yes, sir, I'd be in favor.

Charlier Lydecker: Can I just one point of clarification, though, and I agree with you on the workshop comments. We don't insure anything that's not statutorily required?

Tim Cerio: I'm looking at my team; I don't believe we do. If there's a gray area ….

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Charlie Lydecker: I just wanted to clarify that, as an insurer, what we write in Citizens is statutorily required. And my other understanding is even on non-commercial, non-habitational [sic] commercial.

Chair Beruff: No.

Charlie Lydecker: That is subsidizing?

Chair Beruff: I appreciate the governor's comments, but just yesterday afternoon, it came to light in the committee, and maybe you all knew, that we are getting pressure to write condominium policies that really don't meet our standards. We're essentially writing them because of other political or actually, public relations issues that we have. So, I think we are writing business that we're not statutorily required [to do so].

Charlie Lydecker: I think that's an interpretation issue, but that's probably something we should have further conversation about in a workshop because I did not interpret those comments to mean that we were challenging. We were presuming coverages that we weren't statutorily required to presume. I was understanding that to mean that there was insurance that couldn't be placed by any competitive private market. And there was maybe pressure coming on to Citizens to try to write this where they might not have thought it fit into the ….”

Tim Cerio: …. I would call it pressure. I wouldn't call it necessarily political. I think the term was used but political in the sense of there is a mounting public pressure when these courts have nowhere else to go. And I think Jay [Adams'] solution is pretty great."

Vice Chair Thomas: But that was an issue. It was a line of business that we are in and actually required to be. And that really was about underwriting, just individual underwriting decisions within that line of business.

Charlie Lydecker: I think you've stated that better.

Tim Cerio: Now, one of the topics I'm going to get into a little more is the state of the market. I'm going to discuss some of the indications that we're seeing that these legislative reforms really are working, and Florida's insurance market is continuing to improve. It's great news, but as we discussed, we've been asked, "Well, if the market's improving, why have you made the rate requests that you have to the OIR?" None of us on this Board, and I know, Citizens staff, nobody is taking these rate increases lightly. But unfortunately, because our rates were frozen for several years, and after that our rate increases were capped by the glide path, we have fallen behind. Our rates have been on average, not only NOT actuarially sound, but 30% to 40% below market. Could we hit slide two, please? I'm going to breeze through these, but this looks at some of the historical changes that Citizens went through over the last years, since basically the big one was in 2007. But prior to 2007, we used a Top 20 analysis to ensure that our rates were not only

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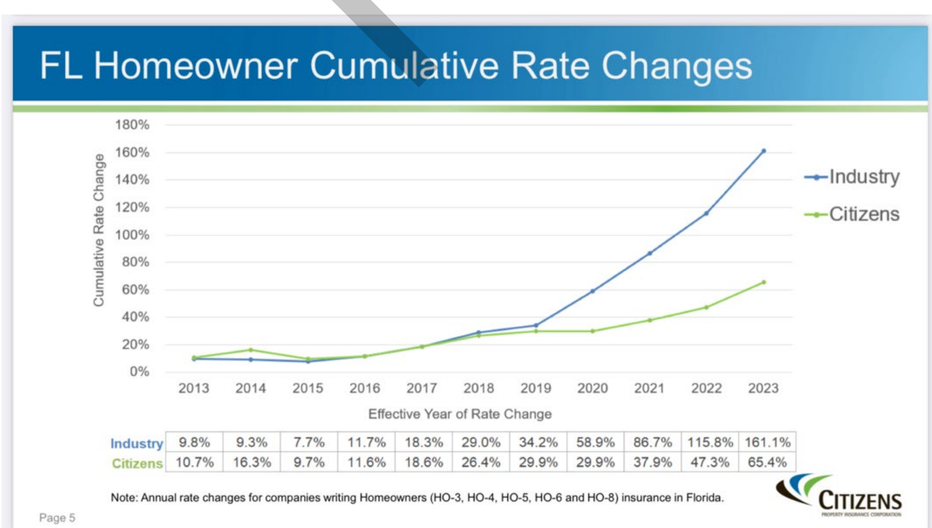
actuarially sound but also non-competitive with the private market back then. We were small; we were healthy. We were slightly more expensive than the private market in 2007. And there were forces at work. I don't want to say this was done willy-nilly at the time but in-house for various reasons. House Bill 1A went into law and it rolled our rates back to 2006 levels, and it froze Citizens rates until 2010. Starting in 2010, we were required by statute to limit our increases to only 10% per policy to allow a glide path to actuarially sound rates. I think that obviously hampered our ability to remain actuarially sound.

Chair Beruff: If I can interrupt for one second. The problem with the program was we never got consistently 10% increases year over year. So, well-intended, when we went to apply for those maxes in order to get to the right number, my first year here, I will never forget that we had proposed a 3.7% increase when we should have been getting 20%. And some, I don't think anybody on this Board was there, then we ended up pushing it and got 7.4%, if I remember correctly. I think you asked for 11% something and got 7.4%. But it's still twice what 3.7% was. So that's part of the rationale on just making sure that the Board understands that we never were able to implement that 10% per year increase on the glide path because we were always hampered to do that by OIR and others.

Tim Cerio: Yes, and there's some detail in the chart. You've seen some of the data, Chair; it's really all over the place. There are certain things that happened, and I know OIR certainly had a rationale for doing what they were doing. But it was almost very odd. I sat down with my team, and I would say, "Wait a minute, this was going on this year. Why did we get a great increase the year before?" It's a bit of a story and a saga. But I will say, Senate Bill 76 passed; that allowed us to do that 1% increase on top of the 10% until we get to 15% in 2026. And then in 2023, the law changed and reinserted the requirement that we be non-competitive, but it didn't define it as it was defined in statute before that says you basically look at the Top 20 writers in a particular region and you need to be at the top of that market. So that's one of the things that I think we've had. OIR has not only been our regulator, but they've been a good partner in working with us. We've been trying to get them data to prove up this competitive analysis and we'll see again…. our rate filing will be completed by the end of the week. This slide you can see what the Chairman was talking about earlier. This slide reflects the cumulative rate changes. Since 2013,



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the industry is in blue, Citizens is in green. In 2015, things were going pretty well; we really took no rate increases. Then, unfortunately, we had litigation of non-weather water claims that increased drastically. Assignment of Benefits… we asked for large rate increases in 2016 and 2017. Hurricane Irma made landfall with some out-of-control litigation that resulted from that. It pushed Irma's actual losses significantly higher than was forecasted by us or reinsurers. And reinsurance prices began to soar. Both Citizens and the private companies asked for rate increases to reflect these higher costs. But just because of the glide path, as we've been discussing, we did not keep up with the industry. We just became more and more competitive and even cheaper than the private market. That, of course, led to our growth in about 2020 and companies going under and a general decline in the market. This chart isn't to say we want rate increases. It's just to show the disparity and how difficult it is going to be for us to shrink and for policies to return to the private market while you have this disparity.

Robert Spottswood: It'd be helpful to not only show what the percentage increases, but what the actual cost of insurance is, okay. Like if that chart included, you know, the cost of insurance per $100 of insured value so that we could compare ourselves a little bit better to the private market. It's difficult just to say you're increasing, because we don't know what we're increasing from.

Tim Cerio: Governor, that's a good point. This only reflects the increase, the cumulative increase, not so much the price.

Charlie Lydecker: And I would also comment that, and maybe you want to add color to this, Tim, if you weren't already planning on it, but it's, I think the chart really shows this. It is my understanding from the carrier world, that the need for that rate that you're showing on that slide, had more to do with fraud, assignment of benefits. That's, you know, one way attorney fees, you know, various issues that Citizens has had to deal with than it did on weather-related events, notwithstanding the fact that there were some very significant weather-related events, and maybe you can add color to that.

Tim Cerio: That's 100% accurate, and Jay could come up and talk for a long time about that and what he's seen, but that is absolutely correct. And you see, I think you see the results in the reduction in litigation; you've seen rate filings of private insurers who have then, of course, operating at actuarially sound rates. Many of them have been able to file for rate decreases because these litigation reforms really are making a difference. I mean, it's common. And you know, and I've heard reinsurers say this many times, in short, you know, and insurance companies here, say it as well, you can model for weather, even the horrible weather that's forecasted, you can model for it; you can't model for fraud. It's been out of control. And that's why you saw the legislature take some really decisive action, and the government with the support of the [Florida] Governor, and he signed it into law and the CFO…everybody was really singing off the same song sheet because it was so bad.

Charlie Lydecker: And you made this comment already, but I don't believe that I'm speaking as one Board member, but I might be speaking for all Board members, I don't believe for a second,

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our goal is to try to get that green line up towards the blue line. Our goal is to get the blue line down to the green breakpoint by creating a competitive environment. Again, the fraud comments you just made regarding changes in the industry and the lack of predictability for the insurance carrier marketplace and what that meant, to the extent that we're able to do that, and maybe, God forbid, we actually get a break on the weather this season, which doesn't sound real good right now…. Basically, we want that blue line to come down and meet us. We're not trying to continue to raise rates; we need to try to get to a place where we stop having to the need to raise rates beyond a certain point.

Vice Chair Thomas: That's a great point. But I think part of the problem is that no one likes raising rates, but our artificially low rates are sort of the devil's candy. It sounds good, but it's harder to bring that blue line down if our rates are artificially low. If you're looking to deploy hundreds of things, a lot of capital, and whatever you're dealing with, whether it's insurance widgets, and you say, "Well, how about that Florida marketplace? I want to enter that." But then you realize, "Oh, wait, the government there is subsidized. I have to compete with that. No, I'll take my money and go to a different market." That's the problem in essence. If we're to be a residual insurer, and we define that by 20%, every year that goes by that our rates are artificially low, we are increasing the size of that residual market. By the mere fact that our rates are artificially low, we're causing that 20% to have a snowball effect. So, no one wants rates up. That's clearly the case, except in terms of how this works for us to be an actual residual insurer. That spread is counterproductive to bringing that blue line down.

Tim Cerio: It is, and we're wrestling, and the OIR is wrestling, and the Governor and legislature are wrestling with these laws that the glide path has been on the books forever, and there is a uniformity and a commitment to market recovery. I think that, and I'll cover this later in my report if I get to it, but it is getting better. And you do have a commitment, I think, from our Governor, the legislative leadership, and the reforms have really started to make a difference. And again, as Commissioner Michael Yaworsky has been out talking about this, you have seen rate filings start to trend downward, but we are creating competition with the market as long as our rates stay where they are. And it's just a question of wrestling with one law that says we need to be actuarially sound and non-competitive and another law that imposes the glide path. So again, we've been harping on this: our rates being where they are is fundamentally unfair to the private market policyholders who, through no fault of their own, are Citizens' policyholders. They're receiving a government-mandated, reduced premium. It's unfair to the policyholders of Florida in the private market. In addition to paying higher premiums and absorbing more frequent rate increases over the years, they also face an increased risk of having to pay on top of that if Citizens is required to levy an assessment if we don't have enough surplus to pay claims after a storm or a series of storms. We have to remember, and I think this is an important point, there is no income threshold to be eligible for Citizens. Eligibility is based on the characteristics of the property being insured, the location of the property, not the applicant's income or wealth. And because of Florida law, we do have businesses, high-end condominiums, and policyholders with multiple homes or rental properties in Citizens. Ideally, as I said before, if we were to function as intended, we would be much smaller in size. We would always be available to people owning properties in which the private market is not interested and who truly have nowhere else

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to go. But instead, right now anyway, we do have policies that the private market would be interested in, but for our lower rates. So again, what's the benefit to the Citizens policyholder if we can be that true insurer of last resort? They have someplace to go when the market is not interested in them, they may be paying slightly higher rates in the private market, but they have the assurance that we will always be able to pay claims. The other side of that, I believe, is an obligation to the private market to do everything we can to reduce the risk that the private market is going to be hit with an assessment. And that's been our entire strategy and the Executive Leadership Team (ELT) strategy, in my entire time at Citizens, both during my tenure and Barry Gilway before me; that's what we've been working towards. So, trying to abbreviate my comments, Chairman, because we have covered a lot of it .... Small Citizens obviously means less exposure and reduced risk of an assessment on the rest of the market, 85% to 86%, because we're 14% to 15% of the market right now. And again, as we grow, we should grow when the market is strained, but we should shrink as the market recovers. And that's what we're striving to do. For listeners, I want to say this again, to folks listening in, as well as our policyholders. I want them to understand, and that's why we've gone through this exercise, to understand why we're doing what we're doing. Again, you all did not approve these increases lightly. We did not recommend them lightly. I know the OIR is going to consider them carefully, what we've asked for. But our belief is that to help ensure continued recovery of the property insurance market, we, as a government-created entity, have to stop competing with the private market. Our rate filing with the OIR fulfills our obligations under state law to at least ask for rates that do not exceed the glide path. But that will continue to move us closer to a point where we stop competing. That's all I was going to talk about on rates. I was going to move on to reinsurance unless anybody has any questions. And I am going to speed this part along because Jennifer [Montero] covered it so well yesterday.

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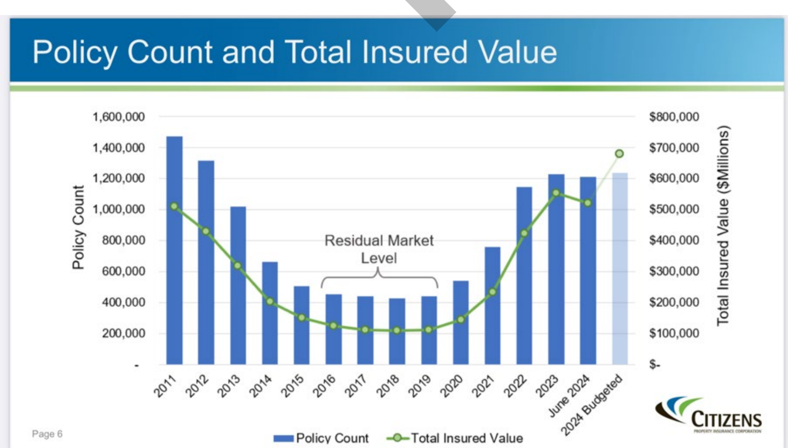
Reinsurance Market Update

Tim Cerio: The reinsurance market, reinsurers around the globe, do recognize the improvements that they've seen because of the reforms that have been implemented in Florida. This year, both Citizens and the private market have seen rates level off in many cases. We believe on average, our risk-adjusted rates on average are down about 7% to 7.9%, which is great news. I think it was very successful. Last year, if you all recall, our Citizens policyholders were facing the risk of a surcharge. If we had a one-in-four-year storm, our policyholders and non-policyholders were facing an assessment if we had a one-in-nine-year storm event. That didn't happen this year. Again, as we've discussed, it would take a one-in-74-year event to trigger a surcharge and a



one-in-83-year event to trigger an assessment. And by way of comparison, Ian was a one-in-20 or 25-year event, I believe. I think Andrew was a one-in-43-year event. So, we're in pretty good shape. And I do want to congratulate CFO Montero on doing a great job. She and her team, in very difficult circumstances, worked hard and got us where we are. You did see, I think the insurance market, the reinsurance market at the very end, started to dry up a bit because of the weather forecasts that came out and got worldwide attention. But under the circumstances, she did a fabulous job. And I just again, want to congratulate her. To go through the remaining slides, can we get the next slide please? So, policy count. Again, you've seen this chart before. But as of June 30, we had 1,213,409 policies and about $520 billion in total insured value. What we had forecasted previously by the end of the year was to be at basically 1.24 million policies and $679 billion in exposure. Because the reforms are working, things are going in a very positive direction. We've adjusted this forecast. We're barring the wind doesn't blow, we think that by the end of the year we will be below a million policies. We'll be at 985,000 policies and $432 billion in total insured value again, barring any major storm activity or any unexpected blips. And that's some good news. We have good policies in Citizens that the private market should be interested in. And again, our goal is to get back down to that true residual market level. The other good news, and you've heard us say before now that we're in hurricane season, takeouts are going to slow down, and we're going to start to grow and then takeouts will resume in August. But we're growing less than we did this time last year. And that's good news, too. So even though we're in a period where we're going to expect to grow, the rate at which we're growing is slower than last year. So again, that's general market recovery.

Charlie Lydecker: I have a question about the slide. The total insured values have increased relative to policy count. Would I be right to conclude that this is a result of non-residential commercial?

Tim Cerio: I think that's correct. The non-residential commercial is less than 1% of our total number of policies, but it's close to 10% of our total insured value.

Charlie Lydecker: So, essentially, there are fewer policies but more value, correct?

Jennifer Montero: In commercial brands, yes, both.

Charlie Lydecker: Thank you.

Depopulation

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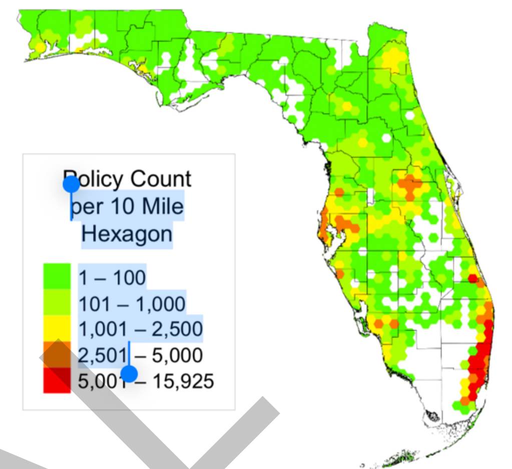
Tim Cerio: Next slide, please. You all have seen this slide too. It's good news. The number of

Depopulation Activity

Policies Assumed in 2023 and 2024			
Assumption Date	Number Office of Insurance Regulation Approved	Policyholder Choice Letters Mailed	Number Assumed on Day of Assumption
4/18/2023	20,000	26,335	4,573
6/20/2023	46,218	18,760	17,239
8/22/2023	26,000	27,689	8,836
10/17/2023	184,000	311,310	99,773
11/21/2023	202,399	179,747	92,886
12/19/2023	168,000	86,620	52,017
1/23/2024	200,000	126,479	76,316
2/20/2024	39,000	27,652	15,713
2/27/2024 (CL)	850	437	321
3/19/2024	59,498	27,879	22,209
4/23/2024 (CL)	400	246	150
5/21/2024	54,386	34,760	17,610
6/25/2024 (CL)	300	170	TBD
Total	**1,001,051**	**868,084**	**407,643**



Notes:
1) Policyholder Choice Letters Mailed indicates the number of depopulation letters mailed, one per policy. Multiple offers may be contained in a single mailing.
2) The hexagon map shows all personal lines and commercial lines (CL) policies assumed from April 2023 through May 2024

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policies that have been assumed through Depop through 2023 to this point this year has been about 408,000. For 2024 alone, the combined personal and commercial assumed policies is about 132,445. Policies have been taken out and the exposure removed is about $65 billion through takeout. Again, that's not only good for Citizens' policyholders. It's good for the state of Florida to have that reduced number, that reduced amount of exposure. The map to the right shows the distribution of policies taken out. There's good distribution around the state. It's healthy that the takeouts aren't just centered in particular areas. It's healthy that you're seeing takeouts in southeast Florida, as well as Broward, Miami Dade, Palm Beach, Hillsborough, and Orange. These are areas that the industry used to tend to avoid, particularly in Miami Dade where there was proportionally excessive litigation. The fact that the market is interested there is another good sign that the reforms are working. I'm not trying to pick on Miami Dade at all, but the facts are the litigation rates are much higher down there. You have more litigation pending in Miami Dade County than you do in Collier, Charlotte, and Lee combined. That's pre-reform. But that's where you're seeing the reforms take hold and really make a difference where there were pockets of, frankly, cultures of excessive litigation. Not trying to jam on, and you all know this. I mean, I'm a lawyer by training. There's a lot of lawyers, a lot of plaintiff's lawyers that do it right. We're talking about attacking that cottage industry that has been disbarred. There have been arrests, but it's really trying to get at these places where there's excessive litigation. Next slide, please.

Robert Spottswood: Before he moves on, may ask a quick question?

Chair Beruff: Yes.

Robert Spottswood: Some estimates. Are you targeting, some amount of depopulation activity that would occur as a result of the legislative reforms that were made as to preventing fraud?

Tim Cerio: Governor, do you mean separating that as opposed to just general market recovery? I don't think we've broken that out yet. I think that there's no question that the litigation recovery, as well as the 20% rule, are helping stir the pot, but I could see if we could break those numbers.

Charlie Lydecker: We could tell him, but this is not what he's asking for. But you guys have the numbers, at least in terms of pre reform and the effect of reform, the number of lawsuits filed on with these claims versus prior to and I think that's i's pretty severe.

Tim Cerio: Yeah, and that could start but we could gather that data for you guys.

Robert Spottswood: It would be beneficial to move toward the population as a result of that type of reform. This suggests that we need to explore other areas that can also encourage the private market to re-enter as a result of suggestions we can make for further reforms to our insurance laws.

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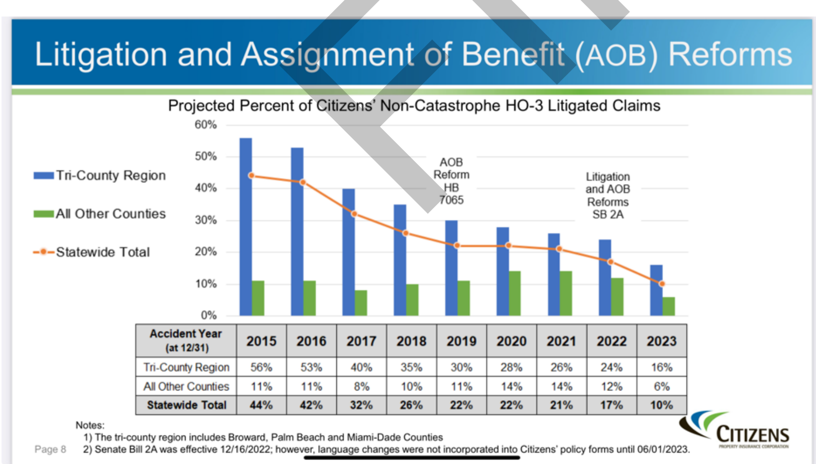
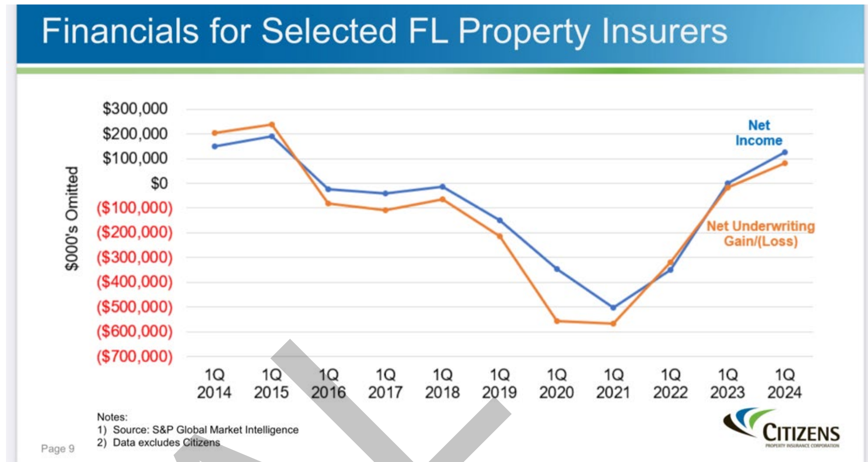
Litigation and Assignment of Benefit Reforms

Tim Cerio: Yes sir. This slide shows the decrease in litigation for non-catastrophic litigation and Assignment of Benefits since 2015. These are specific to homeowners and dwelling fire non-catastrophe water claims. They do not include hurricane losses. Currently, we're trending in a very positive direction in terms of new claims entering litigation, and it explains why the admitted industry is more interested in depopulation. You can see the litigation rates for the Tri-County region versus all other counties. In 2015, you had a 56% litigation rate, all other counties, it was 11%. Now fast forward to 2023, the Tri-County region has dropped to 16% and all other counties to 6%. That's some pretty good data.



Financials for Selected FL Property Insurers

Tim Cerio: I'm almost finished, Mr. Chairman. So, good news. You've seen this chart before, except this is updated for the first quarter. We try to monitor segments of select companies writing business in Florida and we try to compare it so we're comparing apples to apples when we compare quarters. This is fantastic. The market signals are improving for the first time since 2015. You have net income and a net underwriting gain; they're both positive and not in the red. That's the first time since 2015.



Hurricane Preparedness

Tim Cerio: In terms of preparedness, I believe our leadership team and our employees are prepared for hurricane season. Our catastrophe response planning is an internal enterprise-wide collaboration with all departments within Citizens. We've done stress testing, which includes a maximum amount of activity and preparation that was conducted ahead of storm season. We do mock catastrophe testing, which includes equipment readiness, staff training and preparation, call center stress tests, recruitment and training of new resources, virtual deployment for independent adjusters, system load testing, and we believe we're ready. We're ready to respond to the critical needs of our policyholders if we do have one of these major events.

Charlie Lydecker: A couple questions. I'd ask you to go back to the carrier slide. I know the dip down in 2020 and 2021 represents a time period when national carriers were pulling out of the state of Florida, for the reasons you've already cited, such as weather and fraud. You've already talked about the takeout program, but some of those are startups existing in-state only. I'm wondering if we can be optimistic based on the fact that for the first time, net income and net underwriting gains are positive, that carriers that previously pulled out of the state of Florida would recommit to the state of Florida? It's early, so maybe this is for next year. But how do you feel about talking to national carriers? And what are we doing to make sure national carriers are aware of the news on this chart and why they should think about coming back to Florida?

Tim Cerio: The Chairman has made it a priority to communicate this data to the national insurers. The Chairman and I met with Commissioner Yaworski, and it's been a major priority of

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his to meet with the CEOs of these companies, share the good news in Florida, try to attract business back to Florida, and just tell the story. We're not just relying on OIR to do that. Although I think that the Commissioner is rightly out in front of this step. But it's also a priority of the Chairman's for us to try and get in with the CEOs.

Robert Spottswood: Could I follow up on that question as well? So, with the admission of so many smaller private market carriers, is that discouraging the bigger carriers from coming back into Florida?

Tim Cerio: I have not heard that it's discouraging or otherwise a disincentive to them coming back. They're filling a vacuum. And I think that one of the focuses that the CFO's office, the Governor's office, as well as the OIR have really paid attention to these companies that are being approved to do business. They've been more zeroed in on making sure that these companies have the financial wherewithal that they're not going to pop up, do business for a couple of years, suck a bunch of money out, and then the policyholders come back into Citizens again.

Robert Spottswood: The Commission heard on several occasions about a private circumstance, correct? And we were allowing those carriers to come in that maybe can't withstand a larger event and charging a lower cost than a bigger carrier would. Is that discouraging the bigger carriers from coming back?

Tim Cerio: You would think it might be. That's a very good point, Governor, but I do know that the OIR has made the effort to really vet these companies and make sure that even above statutory minimums, they have the financial wherewithal to come in and do business.

Charlie Lydecker: A lot of the carriers that he's talking about have actually filed for bankruptcy protection or have been taken into liquidation rehabilitation. As a representative on the Florida Insurance Guarantee Association Board, I can tell you, two years ago, I think it's 11 companies went into liquidation rehabilitation for the reasons that you're citing, such as getting competitive, and then not having appropriate reinsurance in place and not having thought through it correctly. So I think it's a fair point. But a lot of the players that really didn't have the fortitude are not there in the market now.

Tim Cerio: I will say we expected a handful of companies to go under last year. That didn't happen. And you've seen that companies are doing better. They're not going under, but we're not seeing liquidations as much as you did before in the last couple of years. So, I think…

Robert Spottswood: ….in those situations, Tim, would we have been better just taking on that risk ourselves? Did those companies that failed cost us money?

Tim Cerio: Well, I mean, if I understand the question, Governor, we don't want to take on the risk. I mean, if they can be rehabilitated, great. And some, I don't know how many, were actually able to come out of rehabilitation. We certainly don't want to grow unless we absolutely have to. There could be some Monday morning quarterbacking that would show that maybe there

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shouldn't have been time to, you know, the effort to liquidate and rehabilitate these companies. Maybe they should have just rehabilitated as opposed to liquidating. Maybe they should have just come to Citizens.

Charlie Lydecker: I would say hindsight is 2020.

Chair Beruff: Yes, exactly.

Tim Cerio: I'm wrapping up, Chairman. So again, we really feel like we're ready. We have a strong network of independent adjusting firms on contract with the infrastructure and capacity. Obviously, that's so critical for deployment. So, after a storm, these claims can get promptly adjusted. We have 16 First Notice of Loss call centers on contract should we need such support within 72 hours notice. 130 employees trained and ready to be deployed in the event of a catastrophe. So, I mean, Chairman, we're ready. And I have complete confidence in my team, particularly Jay Adams, Jeremy Pope, and Christine Ashburn. Those folks that are out front. I'll be with them out on the front lines. And again, I hope we don't have a storm. If we do, I encourage you all to come out, you know, and visit us on a deployment. It's impressive. Our employees are just top-notch. It's stellar. I think some of you may have gone out. I think Governor Butts did, and it's… I couldn't be prouder of this team and the whole company. And that concludes my very lengthy report, Mr. Chairman.

Charlie Lydecker: Mr. Chairman, I would just comment that I know I'm the culprit, on interrupting and asking questions. But having said that, you know, I think we could make up time on some other areas. But, since I've been on the since I've been on this Board, that is, in my opinion, the most comprehensive and thoughtful presentation from the CEO in terms of just getting a full macro feel for all the moving parts. And I think it was really important. So, I want to say thank you. And thank you for your indulgence in allowing me to ask the questions.

Chair Beruff: That's why we have these meetings; otherwise, we can't get our message out.

Tim Cerio: Well, I appreciate that Governor and I but there's a mea culpa. I feel like it was important to do that for the public because I wish I'd have done that a little more at our last meeting. I'll be very candid. There are some really good questions that we've received since the meeting, and so that's why I appreciate you all indulging me and going through that. I think we owe it to the public. So, thank you.

3. **<u>Chief Financial Officer's Report</u>**

Chair Beruff: Thank you. We're gonna sail through Ms. Montero's report because it's all good news. We don't have to worry about anything except a one-in-74-year storm. You spent less money than we budgeted. That's all good.

Jennifer Montero: So, a very brief update. You'll find the Executive Summary and the Layer Charts behind tab three.

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Risk Transfer Program

Jennifer Montero: In 2024, reinsurance markets softened, despite the higher demand for reinsurance capacity in Florida, related to the expiration of both the wrap and for programs. The softening can be attributed to additional capital inserted into the risk transfer market, especially the capital markets due to the attractive nature of risk transfer pricing relative to other asset classes, and optimism about the anticipated impact of Florida's legislative reforms, specifically to litigation, which have only just begun to be realized. However, there was some slight hardening as capital was reduced related to multiple forecasts of a very active Atlantic hurricane season. Additionally, reinsurance capital levels are still significantly affected by unrealized losses of approximately $132 billion and remaining investment portfolio unrealized losses, which have not yet evaporated due to stable but still higher interest rates. As a result, risk-adjusted risk transfer pricing was relatively flat or approximately plus or minus 5%. For most Florida carriers, and capital markets, transactions were able to upsize and price at levels close to initial guidance. However, specific to Citizens, risk-adjusted pricing was down approximately 7.9%. As approved by the Board of Governors at the May 14, 2024, Board meeting, Citizens saw authorization for a total of $5.5 billion of coverage with a cost not to exceed $750 million. Citizens was able to place a cost-efficient risk transfer program of approximately $3.564 billion, which includes $3.064 billion of new placement and $500 million of existing multi-year coverage through Lightning Re from 2023, at a cost of approximately $482 million. Approximately $1.964 billion was transferred to the global traditional market, and approximately $1.6 billion was transferred to the global capital market. All of the 2024 risk transfer layers cover personal residential and commercial residential losses. I'm happy to walk through each of the layers. However, in the essence of time, I can skip that part. The layer details including coverage, retentions, tenors, and markets are all on pages three and four of the executive summary, if you'd like to read the order.

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Charlie Lydecker: What was the impact of combining these towers, this renewal season? From your perspective overall, on behalf of Citizens, you can take it from a reinsurance perspective, but you might make sure the audience knows about the legislative changes that allowed the towers to come together and what impact that has had.

Jennifer Montero: Right, this is the first year that we did reinsurance with the combined accounts. Overall, I think most of the market was indifferent. They were fine with it. A lot of companies do their reinsurance combined, but we did have two very distinct towers. We had the Coastal and we had the Personal Lines, and they were very different. They were treated differently, and they were modeled differently. So, if you liked the Coastal very much, you might have thought that the Personal Lines had more high risk and more fraud in it, and you didn't necessarily like that being combined with your clean coastal. If you liked the Personal Lines, it was because you were getting a much higher price, and you didn't like the blended price of the two combined. But those were the things we kind of heard. Most of them worked through it, almost everybody worked through it. In fact, one reinsurer that was very vocal about it was the first one to give us a quote, and it was a very reasonable quote. So, I think overall, there was some grumbling in the beginning, but I think everybody worked through it with the modeling and got comfortable with it. So, I think it was just first-year grumbling because it was new. But overall, we didn't have anybody say, "We're not going to participate in your program because it is combined." We did have one reinsurer that chose not to support us this year, not to support Florida really, but decided they'd look at our stuff. But the pricing, we weren't there with them on the pricing. Their pricing level was about 50% higher than what our FOTs were.

Charlie Lydecker: And then, from a Citizens perspective, did that change your outlook in terms of policyholder surplus and how we manage that? It seemed to me when it was separated in the past, you could be a little high on one and a little lower on the other, and coming together was beneficial to Citizens.

Jennifer Montero: Very much so. As CEO Cerio pointed out last year, in the Personal Lines Account, we would have had a Citizens policyholder surcharge at a one-in-four-year event. Now it's at a one-in-73. And we would have had an emergency assessment at a one-in-nine, and now it's at a one-in-83. So that's a very big difference. Our being able to merge the accounts and use this surplus for the entire company does make that assessment potential go much higher up.

Charlie Lydecker: And reinsurers now can pick and choose; it's one program?

Jennifer Montero: That's the only point I want to make. They can pick and choose the different layers they want to go on and stuff like that. And that's fine. They have different appetites. But yeah, we have one program, and a lot of them did participate in both in the past, but maybe mostly on one and a little bit on the other. Some were different, but overall, I don't think we lost any participants just because the accounts were combined.

Charlie Lydecker: Thank you.

Vice Chair Thomas: What was the storm threshold for assessments? I want to say one-in-73?

Jennifer Montero: It's one-in-73 today. And for the Citizens policyholder surcharge, it's actually one-in-74 for a Citizens policyholder surcharge and one-in-83 for the emergency assessment. In fact, that's the part I was going to skip right to if you'd like to hear about that.

Chair Beruff: Let's go.

Jennifer Montero: The Citizens policyholder surcharge of up to $895 million, which is 15% of the Direct Written Premium, could be triggered at the one-in-74-year event. A one-in-74-year event would experience approximately $14.4 billion of residential losses in loss adjustments. Once the Citizens policyholder surcharge is exhausted, a potential emergency assessment of up to $2 billion could be triggered at the one-in-83-year event. A one-in-83-year event would experience approximately $15.4 billion of residential losses in Loss Adjustment Expense (LAE). And as a reminder, I mentioned yesterday in the Audit Committee that the ultimate direct losses in LAE at

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March 31 related to Hurricanes Ian and Irma were $3.6 billion and $2.6 billion respectively. So that should put some perspective on how high up those assessments are. In summary, the 2024 Risk Transfer Program totals $3.564 billion of coverage with a weighted average gross rate online of 14.07% and a net rate online of 13.44%. The 2024 risk-adjusted price reflects some improvement in the market, despite the appearance of an increase in pricing. In both the traditional and capital markets for coverage placed in 2024, the price is approximately 7.9% lower than it would have cost for similar coverage in 2023. And that completes my update.

Chair Beruff: Governor Knight, I regret not bringing you in at the beginning. You're on you're on the phone, aren't you?

Erin Knight: Yes. That's okay.

Chair Beruff: I just wanted to apologize for that mistake. Do you have any comments you'd like to make from your [Finance and Investment] Committee?

Erin Knight: No, thank you.

4. **Chief Claims Officer's Report**

Chair Beruff: Alright. Let's move on to Mr. Adams, then.

Jay Adams: I have no comment, but I would like to open it up to Claims Committee Chairman Thomas, if he had any comments there or under the underwriting section?

Vice Chair Thomas: We had our Claims Committee meeting, which was productive as usual. Again, some of the questions earlier were about the effect of litigation. I invite anyone who can attend or wants to watch our Claims Committee meeting. It's always informative, and it's where we do see good news right in front of our face. So hopefully, that trend continues.

5. **Chief Administrative Officer's Report**

Action Items

ACTION ITEM: TAMPA OFFICE LEASE

Jeremy Pope: I have three action items for the Board's consideration. The first would be our Tampa office lease procurement. Just for quick background, our objective here with the Tampa space is to find a space up to 12,500 square feet to house our 68 employees that reside in the area. So back in April, we went out to market utilizing an Invitation to Negotiate (ITN) solicitation vehicle, following Chapter 255, which we're required to do anytime we look for space. We follow that process, which means we have some oversight in partnership with the Department of Management Services (DMS). We utilize their broker. The DMS also reviews all of our solicitations and ensures that what we're going after is appropriate. We've done that, and we have six bids that have come forward for consideration. We are currently in active

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negotiations with the six properties. We're obviously seeking the best value for Citizens, which includes not just price, but also services and amenities that are included with these properties. What we are seeking from the Board to expedite occupancy, if you will. We have initial pricing from all these vendors, and we are looking to seek approval for the estimated cost of what we feel is fair, while these vendors and properties are continuing to compete. We're waiting on finalized best and final offers because the architects right now are completing their test fits to ensure that the space will fit everything that we're looking for there, built into our requirements. And also, we'll have finalized costs. That also gives the properties a chance to throw in as many incentives potentially as possible. So, things like tenant improvement dollars and so forth are what we're working toward right now. So, what we're seeking is approval to move forward with the estimated cost and what we'll be able to do toward the end of this month into the early part of August is execute the lease. But we can't execute the lease until the Department of Management Services would approve that as well. And we are required to utilize the state of Florida standard lease agreement. Chairman, I'm happy to answer any additional questions or detail if needed.

A motion was made and seconded for the Board of Governors to approve's staff's recommendation to continuation of negotiations by CBRE to secure the best value office space lease considering price, location, and amenities; authorize staff to take any appropriate or necessary action consistent with this Action Item; and upon receipt of approval from the Department of Management Services execute a final lease with the awarded vendor for up to a 7-year term, based on a targeted cost of approximately $3,535,451, as set forth within the Action Item. All were favor. Motion carries.

ACTION ITEM: BASIC AND VOLUNTARY LIFE INSURANCE; VOLUNTARY LONG-TERM DISABILITY; BASIC AND VOLUNTARY ACCIDENTAL DEATH & DISMEMBERMENT; SHORT-TERM DISABILITY; FAMILY MEDICAL LEAVE ADMINISTRATION AND OTHER ADMINISTRATIVE SERVICES

Jeremy Pope: The next few items, I think, will be relatively quick. The first one is our basic and voluntary life insurance, voluntary Long-Term Disability, basic and Voluntary Accidental Death and Dismemberment, short term disability, family medical leave administration, and other administrative services. This is an excellent action item. So, at a high level, this was up for renewal. We went to market utilizing our broker, Gallagher, and it came back with pricing that's about 7% lower than what we're paying today. This is the lowest price that came forward amongst all bids.

A motion was made and seconded for the Board of Governors to approve staff's recommendation to move forward on a three (3) year contract with Symetra Life Insurance Company for Basic and Voluntary Life Insurance; STD, Voluntary LTD; Basic and Voluntary AD&D; FMLA and other Administrative Services for $641,051.10 paid by Citizens and $3,442,779.77 paid by employees, for an estimated total contract amount of $4,083,830.87; and to authorize staff to take any appropriate or necessary action consistent with this Action Item. All were in favor. Motion carried.

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ACTION ITEM: RETIREMENT PLAN CHANGES

Jeremy Pope: Thank you, Chairman. The last item is the retirement plan change. There are no major material changes to the plan at all. Currently, today's retirement plan requires employees to work more than 20 hours to be eligible for our retirement match. We would like to make that consistent with our part-time benefits and make it so that working 20 or more hours makes one eligible. That is the change for this particular item.

A motion was made and seconded for the Board of Governors to approve staff's recommendation to adopt and approve the recommended 401(a) and 457(b) Retirement Plan amendments as outlined in this Action Item; and to authorize staff to take any appropriate or necessary action consistent with this Action Item. All were in favor. Motion carried.

Jeremy Pope: Thank you, Chairman. That concludes my updates.

Market Accountability Advisory Committee (MAAC) Update

Dave Newell: For the record, I'm Dave Newell, the chair of the Market Accountability Advisory Committee. Our committee met telephonically on June 26, 2024. After approval of the meeting minutes of March 26, we had an update from Jay Adams about the current state of the market and projections on how Citizens will end up year-end. Jeremy Pope provided the committee an update on depopulation results, which you all have heard many reports today, FMAP, and certainly, Citizens Reimagined. The results continue to be positive for depopulation. Certainly, there's a low right now with the hurricane season upon us, but certainly a lot of good feedback from agents and certainly carriers about the population, specifically about the legislative changes that are really drawing carriers to look at Citizens policies, again. Adam Marmelstein filled in for Carl Rockman and provided the committee with updates on agent and agency counts on performance violations and late submissions. That is something that certainly the committee takes a lot of interest in how agents are doing in that in that space. And Citizens does a great job of kind of updating where those levels are and improvements that could be made to help agents make that number even smaller. We also heard an update on the Clearinghouse; easy links rollout is certainly underway, and agents are getting exposed more and more to that process. One thing that certainly the committee took a lot of interest in that many of you may not be aware of but with some legislative changes, there is a requirement now that appointed agents with Citizens have three or more appointments by line of business. So that certainly has been something that's had a lot of attention. Citizens has done a great job of updating agents that may fall short of that threshold and working with those particular agents to get them the needed appointments (that they can stay in and conduct themselves if they need Citizens to write a piece of business). So that certainly is something that used to be one appointment. Now it's three. So, that can be challenging for some of the small to medium size shops.

Charlie Lydecker: What are we saying when we say line of business?

Dave Newell: It's Commercial, Personal Lines, and Commercial Residential. So those are the three lines of business. And then lastly, the committee always likes to hear the report of the voice of the consumer rights of the customer, so to speak. And certainly, those levels continue to be well within the averages that Citizens like to see. There's certainly always room for improvement, to have more direct dialogue with consumers and agents in a positive light. But that is certainly something that Citizens does a good job of updating the committee on. With that, Mr. Chairman, that concludes my report. But I just wanted to point one thing out if you indulge me for one second. In my day job, I'm with FAIA, and we held our conference a few weeks ago, and I just wanted to say kudos to all the Citizens team that was there meeting with agents, conducting education classes, being in the exhibit hall, and talking to agents about how they can make the process better. So, kudos to the entire Citizens team for being at our show and being visible and attending meetings. We had several private meetings with team members. And so just wanted to point out that certainly a lot of the team was there conducting and showing how important it was to be engaging with agents. So, thank you.

Chair Beruff: Thank you for your report. Mr. Pope, you're going to wrap up with the exposure reduction, or is that done?

Jeremy Pope: It's done.

6. Chief Communications, Legislative, and External Affairs Report

Consumer Services Committee Update

Erin Knight: I'd say the bulk of our meeting was geared towards education and we have a lot of new committee members. So, it was a good summary of all the work being done. I think that those materials would be available online. Christine, are there any high points that you'd like to touch on?

Christine Ashburn: I think just to reiterate what the others said, we did give a thorough update - Jay Adams, myself, and Jeremy Pope - on all of our catastrophe preparation. As you all know, it's an enterprise-wide, year-round process. And there were no action items for the committee.

7. Chief of Internal Audit Report

Chair Beruff: Mr. Martins, who I always give a hard time to, are we on fire anywhere? No fires.

Jamie Shelton: Mr. Martins presented an update on all the audits that he and his team are working on, have completed, are in progress, and plan for the upcoming year. Twelve audits have been completed, several are in process, and more are planned. In addition, Brian Smith, a partner with us, updated the Audi Committee on the completion of two audits. We had some

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discussion on the need for two audits, but that was quietly quelled. There was a clean opinion on one. And then there were no communications to myself prior to the meeting, from Brian or to the Board, for any recommendations, disputes with management, or anything of an adversarial nature. That would conclude my report, Mr. Chairman.

Chair Beruff: Thank you.

New Business

No new business.
Adjourn.

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